

Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-16 EA-11 ADP-00 COME-00 INT-08 SIL-01

LAB-06 OMB-01 TRSE-00 CIEP-02 CEA-02 L-03 CIAE-00

INR-10 NSAE-00 RSC-01 SS-15 NSC-10 AID-20 /118 R

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

INFO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EIND, ETRD, AR

SUBJECT: US FERROUS SCRAP EXPORTS

REF: STATE 152338 (NOTAL)

1. ARGENTINE CHARGE MEDUS AND SCRAP EXPERT MARTINEZ MET AUGUST 6 WITH DEPUTY ASST SECY COMMERCE COOK, OTHER COMMERCE AND DEPARTMENT OFFICERS ON SCRAP. MEETING LARGELY A REPEAT OF AUGUST 1 MEETING WITH DEPTOFFS, WITH MARTINEZ REQUESTING EXEMPTION FROM USG SCRAP LICENSING CONTROLS TO ENABLE ARGENTINA OBTAIN 300,000 METRIC TONS SCRAP DURING SECOND HALF CY 1973. MARTINEZ CLAIMED THAT FAILURE OBTAIN THIS SCRAP WOULD RESULT IN LARGE SCALE SHUTDOWNS AND LAY-OFFS IN ARGENTINE STEEL INDUSTRY LATER THIS YEAR. MEDUS
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ADDED THAT SUCH LAYOFFS WOULD OCCUR DURING EXTREMELY

SENSITIVE POLITICAL PERIOD OF GOVERNMENTAL CHANGEOVER. MARTINEZ SAID ARGENTINA WILLING TAKE GRADES OF SCRAP STIPULATED BY USG AND FROM US PORTS STIPULATED BY USG. RE LATTER POINT, MARTINEZ HELD THAT CERTAIN AREAS (EG, NORTH-EAST, PARTICULARLY BOSTON, NEW HAVEN AND NEW YORK) GENERATE SCRAP IN EXCESS OF LOCAL AND AREA NEEDS, AND THAT SUCH SCRAP MUST BE EXPORTED DUE TO HIGH COSTS OF TRANSPORTING THIS SCRAP TO OTHER AREAS OF US WHERE SCRAP IN SHORT SUPPLY.

2. COOK EXPRESSED UNDERSTANDING OF ARGENTINE SITUATION,

BUT SAID THAT DUE TIGHT US SCRAP SUPPLY SITUATION AND RECORD FOREIGN DEMAND FOR US SCRAP, IT HIGHLY UNLIKELY THAT USG WILL BE ABLE LICENSE FOR EXPORT IN 1973 ANY LARGE (IE, OVER 500 TON) ORDERS ACCEPTED AFTER JULY 1, 1973. ALSO, USG UNABLE AT THIS TIME MAKE ANY EXCEPTION TO JULY 1 ORDER CUTOFF DATE FOR ARGENTINA. (MARTINEZ EARLIER HAD ASKED RE POSSIBILITY OF UNPUBLICIZED GOVT-TO-GOVT ARRANGEMENT WHEREBY USG WOULD MAKE 300,000 METRIC TONS OF SCRAP AVAILABLE TO GOA DURING SECOND HALF 1973.) COOK NOTED THAT AS OF JULY 1 ARGENTINA HAD 213,000 SHORT TONS (193,000 METRIC) SCRAP ON US ORDER BOOKS FOR SHIPMENT DURING SECOND HALF 1973, AND INDICATED USG WOULD LICENSE FOR SHIPMENT TO ARGENTINA IN 1973 ALL ORDERS ON BOOKS AS OF JULY 1. THIS WOULD MEAN ARGENTINE SHORTFALL OF 107,000 METRIC TONS.

3. IN REPLY TO MARTINEZ' COMMENTS RE AVAILABILITY OF SCRAP FOR EXPORT IN NORTHEAST, COOK NOTED THAT CURRENT HIGH DOMESTIC US SCRAP PRICES (NOW AT 16-YEAR HIGH) MADE IT ECONOMICALLY FEASIBLE TO TRANSPORT THIS SCRAP TO WIDER AREA OF US. COOK ALSO NOTED POSSIBILITY THAT US SCRAP PRICES MAY GO EVEN HIGHER FOLLOWING AUGUST 12 END OF US PRICE FREEZE.

4. TOWARD END OF DISCUSSION, MARTINEZ CLAIMED HE HAD OFFER FROM JAPANESE TRADING COMPANY IN US TO SELL HIM "ALL THE US SCRAP I NEED." HE SAID HE WAS OPPOSED ON PRINCIPLE TO BUYING HIS SCRAP NEEDS THROUGH JAPANESE AND THUS IN EFFECT "PAYING FOR EXPORT LICENSE," BUT THAT INABILITY OBTAIN LIMITED OFFICIAL USE

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ADDITIONAL SCRAP THROUGH USG-GOA ARRANGEMENT WOULD FORCE HIM DEAL WITH JAPANESE. FYI. MARTINEZ DISPLAYED LETTER ON MITSUI AND CO. STATIONERY, BUT DID NOT GO INTO DETAILS OF MITSUI "OFFER". END FYI. ROGERS

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